1985-1986 FINANCIAL SURVEY

A8485-141 5/86

THE COST OF DOING BUSINESS

For Retail Sporting Goods Stores

ISSN: 0736-0703

NSGA National Sporting Goods Association
1699 Wall Street, Mt. Prospect, Illinois 60056
312 • 439-4000 TWX: 910 • 687-1061

$30.00

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For Retail Sporting Goods Stores

Prepared for the
NATIONAL SPORTING GOODS ASSOCIATION
1699 Wall St., Mt. Prospect, Illinois 60056
312/439-4000

by

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INTRODUCTION

The National Sporting Goods Association has conducted a Cost of Doing Business survey for 32 years. The study reports the most accurate and comprehensive financial data available on the retail sporting goods industry. This study provides information for sporting goods retailers to use in improving the operating performance of their businesses. NSGA members can compare their operations to composite figures on both expenses and sales. They can identify areas which indicate superior performance and also areas which require more managerial emphasis. Finally, since a consistent format has been maintained in conducting the study and reporting the results for the last few years, member retailers can track their operating performance over time.

The study was initiated in the summer of 1985. NSGA members were mailed a cover letter along with a questionnaire and return envelope. The cover letter asked NSGA members to complete the brief questionnaire and return it along with a copy of their income (operating) statement for the 1984 fiscal year. Later in the summer, a reminder letter was sent along with another copy of the questionnaire.

Approximately 4,000 questionnaires were mailed. The number of questionnaires we received totaled 653 which represents a response rate (questionnaires received/questionnaires mailed) of only 16%. This is almost a 10% drop in the response rate from the previous administration of the survey. However, the number of questionnaires received which <u>also</u> included income statements was 205 which is 31% of the 653 and is the same <u>percentage</u> as was obtained in the last study. The low response rate is very likely the result of the time in which the study was conducted

(summer), the sensitive nature of the questions asked (financial data), and the length of time between the initial request and the reminder.

The same procedures for coding income statement categories as were followed in the 81-82 and 83-84 Cost of Doing Business Surveys were used in the present study. A professional researcher performed all coding which eliminated the possibility of different interpretations by different coders. However, some coding decisions were necessarily arbitrary due to lack of information. A list of these unusual items and how they were interpreted is presented on page 6. Consistent, accepted accounting procedures were followed always.

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MISCELLANEOUS ITEM CODING

ACCOUNTING ITEM	CODE
Loss on Fixed Assets	+ Other Expense
Penalties	+ Licenses & Other Tax
Employee Retirement Plan	+ Salary
Discounts	- Sales
Bank Charges	+ Store & Office Supplies
Organization Expense	+ Professional Fees
Miscellaneous	- Other Operating Expense
Cash Short	- Other Operating Expense
Cash Over	+ Sales
Cash Variation	+,- Sales
Returns & Allowances	- Sales
Cash Refunds	- Sales
Interest Expense	+ Other Expense
Medical Reimbursement	+ Insurance
Bonuses	+ Salaries & Wages
Master Charge	+ Travel & Entertainment
Register Rent	+ Rent
Charge Card Debit	+ Travel & Entertainment
Freight, Freight In	+ Cost of Goods Sold
Freight Out	+ Auto & Delivery Expense
Equipment Lease	+ Rent
Fees Credit Card Sales	- Sales
Employee Benefits	+ Salaries & Wages
Credit Card Discount	- Sales
Contribution to Profit Sharing	+ Salaries & Wages
Bad Debts	+ Collection Expense
Bad Checks	+ Collection Expense
Vending Supplies	+ Cost of Goods Sold
Amortization	+ Depreciation
Employee Relations	+ Office Supplies
Transfers	+ Auto & Delivery
Profit Sharing	+ Salaries & Wages
Employee Welfare	+ Salaries & Wages
Damages & Claims	+ Other Expense
Royalties Paid	+ Other Operating Expense
Compensation	+ Salaries & Wages
Refunds/Commissions	- Sales
Education & Development	+ Other Operating Expense

NOTE: "+" means the accounting item has been <u>added</u> under this coding;
"-" means the item has been <u>subtracted</u> under this coding.

Income Statements & Productivity Ratios

This section presents income statements and productivity ratios for sporting goods dealers by low, medium, and high sales; low, medium, and high profitability as a percentage of sales; one store and multi-store firms; low and high square footage firms (single store only); Western, South Central, North Central, and Eastern regions; full line and specialty firms; and team and non-team firms (full line stores only). Full line firms with more than 24% of sales in team business were classified as "team" businesses and firms with team sales of 24% or less were classified as "non-team" businesses.

Income Statements

Each income statement shows income and expense averages for all firms in that category who responded to the survey and included their income statement. Operating expenses are presented both as a percentage of sales and as a percentage of total operating expense. A sporting goods retailer can estimate the dollar expense of each expense item of the average sporting goods retailer in his category by multiplying the percentage of sales expense (for each expense item in the average category) by his own net sales figure. In addition, the retailer can determine the relative importance of expenses by comparing his own percentage of total operating expense categories to the average percentage of total operating expense in his category. The percent of total operating expense figures are presented in the right hand column of each table. All other percentages are of total sales and are included in the left hand column.

The sporting goods retailer will find several relevant income statements in this section. Each of these relevant income statements can give some insight into expenses incurred by the "average" sporting goods retailer in that group. Therefore, NSGA members may wish to make all comparisons for those categories which apply or choose only those categories which seem to have the most relevance. Procedures to follow in making category comparisons are provided in the worksheet instructions at the back of this report along with a convenient worksheet format.

Productivity Ratios

At the end of each set of income statements is a group of figures which measure components of operating productivity. Sales and profit per employee and sales and profit per selling square foot are listed. These figures combine sales with the two largest expense categories, salaries and rent, to produce useful productivity measures. The productivity measures are included for each "average" sporting goods retailer category previously identified.

Also presented are averages for the number of total equivalent employees per store and the total selling square feet per responding NSGA member. Because NSGA members have an average of slightly more than two stores each (about 2.1 stores), you should remember that total selling square feet are not on a per store basis except for the small store-large store categories which include only those with one store. Thus, the average selling square footage may be somewhat higher than your square footage if you have only one store and vice versa.

Inventory turnover shows the number of times the average investment in inventory is sold each year. It is measured in this report by dividing net sales by ending inventory. It is a useful measure to show the pace at which inventory is moving. A low inventory turnover, for instance, might suggest that excessive amounts of capital are tied up in inventory.

Many factors affect the calculation of inventory turnover and, for this reason, caution should be exercised in its interpretation. Two problems, specifically, arise in calculating and interpreting the inventory turnover ratio. First, sales are at market prices; if inventories are carried at cost, as they many times are, it would seem more appropriate to use cost of goods sold in the numerator rather than sales. However, most compilers of financial ratio statistics, such as Dun & Bradstreet, use the ratio of sales to inventories carried at cost. Therefore, to enable additional comparisons to industry averages, it was necessary to measure inventory turnover with sales in the numerator.

The second problem is due to the fact that sales occur over the entire year, whereas the inventory figure is for only one point in time. Thus, an average inventory figure is better which would be computed by adding beginning and ending inventories and dividing by 2. This is especially true if a firm has highly seasonal sales or if sales have shown a strong upward or downward trend during the year. The inventory turnover figures reported are based on ending inventory only as necessary information to compute the average inventory was not available.

In light of these issues, the inventory figures reported for each category must be used with caution. It is probably best to look only at changes in turnover figures from year to year rather than at the absolute difference between your firm and the category average turnover.

The final productivity measure shows total income before taxes as a percentage of sales. It is a good overall measure of the firm's efficiency, but does not consider return on invested capital which is usually much higher for retailers than for manufacturers, for instance. It can be used, however, to identify the pricing (gross profit margin) and operating factors that lead to high profit performance.

Income Statements & Productivity Ratios

by Sales Volume

SALES VOLUME

The information in Table 1 shows the breakdown of sales for the responding sporting goods retailers. Note that over half of the NSGA members had sales above $500,000.

TABLE 1

Total Sales

Less Than $100,000	8.3%
$100,000 - $199,999	7.8
$200,000 - $299,999	14.1
$300,000 - $499,999	15.6
$500,000 - $999,999	20.0
$1,000,000 - $1,999,999	17.6
$2,000,000 - $4,999,999	11.7
$5,000,000 - $9,999,999	3.4
$10,000,000 or more	1.5
	100.0%

Table 2 shows the changes in sales (gains and drops) from the previous year. Close to thirty percent reported a gain over 10% and over 75% showed some gain. Less than 5% reported drops in sales greater than 10%. This indicates that sales were up for most reporting NSGA members.

Table 2

Changes In Sales from Previous Year

Up over 15%	15.3%	
Up 11 - 15	14.2	
Up 6 - 10	27.3	
Up 1 - 5	18.6	75.4%
Stayed About the Same	5.5	5.5%
Down 1 - 5%	8.2	
Down 6 - 10	6.0	
Down 11 - 15	2.2	
Down over 15	2.7	19.1
	100.0%	100.0%

The summary income statements in Table 3 break down profit by store sales into three categories, and compare these figures to the 1982 Cost of Doing Business Survey results. In 1982, stores with high sales were the most profitable but the low sales stores (under $300,000) show the highest profitability in this year's survey. Profit as a percentage of sales increased from 3.9% to 4.6% due to increased gross profit and a lower adjustment from net operating profit. The results for medium and large stores appear to be directly related to a decrease in gross profit and an increase in total operating expenses, respectively.

TABLE 3

Summary Income Statements for Sales

	Under $300,000		$300,000-1 mil		Over $1 Mil	
	1984	1982	1984	1982	1984	1982
Gross Profit	35.85	34.58	32.98	34.95	35.29	34.13
Total Operating Expenses	30.69	29.52	30.20	29.63	32.47	28.49
Net Operating Profit	5.16	5.06	2.78	5.32	2.82	5.64
Adjustments	- .56	- 1.18	- .36	- .91	- .01	+ .44
Income Before Income Tax	4.60	3.88	2.42	4.41	2.81	6.08

The income statements in their complete form show specific expense item categories. Wages and rent continue to be the largest expense categories as was the case in previous Cost of Doing Business Surveys. The trend for wages as a percentage of sales to increase as sales increase is evident from low to high sales stores (10.7%, 14.7% and 15.9%).

Rent plus depreciation shows a mixed result when considered as a percentage of sales for low to high sales firms (6.5%, 4.7% and 5.2%, respectively). The same two categories, when considered as a percentage of total operating expenses, are more informative (55.9%, 64.2%, and 65.1%).

The productivity ratios do not reveal significant information for explaining the higher profit for small stores other than the low number of total employees and the small amount of space requirements, both of which help reduce the wage and rent expense, as indicated.

SALES UNDER $300,000

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		64.15	
Gross Profit		35.85%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	10.66%		34.74%
Payroll Taxes	.81		2.63
Licenses and Other Taxes	1.35		4.40
Advertising and Promotion	3.13		10.18
Professional Services	.72		2.36
Rent	5.09		16.54
Repair and Maintenance	.40		1.31
Utilities	1.07		3.49
Auto and Delivery	.62		2.01
Depreciation	1.42		4.62
Store and Office Supplies	1.21		3.95
General Postage	.25		.83
Telephone and Telegraph	.69		2.26
Travel and Entertainment	.60		1.96
Dues and Subscriptions	.18		.58
Donations	.08		.27
Insurance	1.09		3.56
Collection Expense	.20		.65
Other Operating Expense	1.12		3.66
Total Operating Expenses		30.69	100.00%
Net Operating Profit		5.16%	
Add Other Income	.78%		
Less Other Expense	(1.34)	(0.56)	
Income Before Income Taxes		4.60%	

SALES BETWEEN
$300,000 - $1,000,000

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		67.02	
Gross Profit		32.98%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	14.68%		48.59%
Payroll Taxes	1.03		3.41
Licenses and Other Taxes	.82		2.72
Advertising and Promotion	2.39		7.90
Professional Services	.52		1.71
Rent	3.45		11.38
Repair and Maintenance	.45		1.50
Utilities	.95		3.14
Auto and Delivery	.52		1.73
Depreciation	1.29		4.27
Store and Office Supplies	1.03		3.42
General Postage	.12		.41
Telephone and Telegraph	.61		2.03
Travel and Entertainment	.45		1.48
Dues and Subscriptions	.15		.51
Donations	.06		.19
Insurance	1.33		4.41
Collection Expense	.07		.26
Other Operating Expense	.28		.94
Total Operating Expenses		30.20	100.00%
Net Operating Profit		2.78%	
Add Other Income	1.14%		
Less Other Expense	(1.50)	(0.36)	
Income Before Income Taxes		2.42%	

SALES OVER $1,000,000

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		64.71	
Gross Profit		35.29%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	15.94%		49.07%
Payroll Taxes	.97		2.99
Licenses and Other Taxes	.76		2.37
Advertising and Promotion	3.20		9.85
Professional Services	.76		2.33
Rent	3.92		12.09
Repair and Maintenance	.50		1.54
Utilities	.85		2.60
Auto and Delivery	.41		1.26
Depreciation	1.28		3.93
Store and Office Supplies	1.05		3.26
General Postage	.14		.43
Telephone and Telegraph	.57		1.75
Travel and Entertainment	.54		1.66
Dues and Subscriptions	.12		.37
Donations	.03		.09
Insurance	1.01		3.12
Collection Expense	.14		.44
Other Operating Expense	.28		.85
Total Operating Expenses		32.47	100.00%
Net Operating Profit		2.82%	
Add Other Income	1.29%		
Less Other Expense	(1.28)	(0.01)	
Income Before Income Taxes		2.81%	

PRODUCTIVITY RATIOS
BY SALES VOLUME

	Under $300,000	$300,000 to $1,000,000	Over $1,000,000	Total
Total Equivalent Employees	4.2	7.1	28.1	13.7
Sales Per Total Equivalent Employee	$49,132	$83,956	$93,362	$77,429
Profit Per Total Equivalent Employee	$2,046	$2,609	$2,389	$2,371
Total Selling Square Feet	1,935	3,449	11,892	5,808
Sales Per Total Selling Square Foot	$125	$232	$261	$208
Profit Per Total Selling Square Foot	$5.72	$10.65	$8.28	$8.33
Inventory Turnover	3.0	3.8	4.0	3.6
Profit As A Percentage of Sales	4.60	2.42	2.81	2.60

Income Statements & Productivity Ratios

by Profitability

The following section presents composite income statements and productivity ratios for low, medium, and high profit sporting goods retailers. The profitability groups were divided at 0.8% and 4.75% income before income taxes as a percentage of sales to produce equal numbers of respondents for each group. These divisions are much lower than those in the 1982 survey (3.5% and 7.5%) which shows an overall drop in profits.

The high profit firms show a clear pattern of excellence in most, if if not all, areas related to profit performance. They have high gross profit margins (34.9%, 35.79%, and 32.66%) and lower total operating expenses (28.27%, 33.05%, and 33.6%).

As well, the high profit firms show much higher profit per employee ($6,296, $2,177, and -$1,346) and better utilization of space as shown by the profit per selling square foot measure ($19.11, $8.80, and -$3.00).

In short, both the composite income statements and the productivity ratios support the notion that high profit performance is related to many management practices, such as pricing strategy, cost control, and inventory management as well as the efficient use of space and the art of employee motivation.

PROFIT UNDER .8% OF SALES

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		67.34	
Gross Profit		32.66%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	17.06%		50.82%
Payroll Taxes	1.12		3.32
Licenses and Other Taxes	.74		2.21
Advertising and Promotion	2.35		6.98
Professional Services	.61		1.80
Rent	4.20		12.51
Repair and Maintenance	.47		1.39
Utilities	1.08		3.23
Auto and Delivery	.52		1.53
Depreciation	1.09		3.23
Store and Office Supplies	1.08		3.21
General Postage	.25		.74
Telephone and Telegraph	.62		1.85
Travel and Entertainment	.46		1.38
Dues and Subscriptions	.12		.35
Donations	.03		.09
Insurance	1.40		4.18
Collection Expense	.16		.48
Other Operating Expense	.24		.70
Total Operating Expenses		33.60	100.00%
Net Operating Profit		(0.94)%	
Add Other Income	.86%		
Less Other Expense	(1.68)	(0.82)	
Income Before Income Taxes		(1.76)%	

PROFIT BETWEEN .8% - 4.75% OF SALES

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		64.21	
Gross Profit		35.79%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	16.18%		48.92%
Payroll Taxes	.96		2.90
Licenses and Other Taxes	.75		2.28
Advertising and Promotion	3.35		10.14
Professional Services	.54		1.64
Rent	3.97		12.02
Repair and Maintenance	.47		1.42
Utilities	.85		2.57
Auto and Delivery	.43		1.31
Depreciation	1.46		4.42
Store and Office Supplies	1.11		3.34
General Postage	.01		.04
Telephone and Telegraph	.65		1.97
Travel and Entertainment	.62		1.87
Dues and Subscriptions	.12		.36
Donations	.03		.09
Insurance	.97		2.94
Collection Expense	.13		.40
Other Operating Expense	.45		1.37
Total Operating Expenses		33.05	100.00%
Net Operating Profit		2.74%	
Add Other Income	1.11%		
Less Other Expense	(1.22)	(0.11)	
Income Before Income Taxes		2.63%	

PROFIT OVER 4.75% OF SALES

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		65.10	
Gross Profit		34.90%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	12.31%		43.52%
Payroll Taxes	.75		2.67
Licenses and Other Taxes	1.04		3.69
Advertising and Promotion	3.00		10.61
Professional Services	.72		2.55
Rent	4.05		14.28
Repair and Maintenance	.55		1.96
Utilities	.69		2.47
Auto and Delivery	.39		1.38
Depreciation	1.32		4.64
Store and Office Supplies	.92		3.25
General Postage	.09		.32
Telephone and Telegraph	.43		1.53
Travel and Entertainment	.47		1.68
Dues and Subscriptions	.17		.60
Donations	.04		.14
Insurance	1.01		3.57
Collection Expense	.09		.32
Other Operating Expense	.23		.82
Total Operating Expenses		28.27	100.00%
Net Operating Profit		6.63%	
Add Other Income	1.91%		
Less Other Expense	(1.20)	.71	
Income Before Income Taxes		7.34%	

PRODUCTIVITY RATIOS BY PROFIT AS A PERCENTAGE OF SALES

	Under 0.8 %	Between 0.8-4.75%	Over 4.75%	Total
Total Equivalent Employees	12.1	16.8	10.2	13.1
Sales Per Total Equivalent Employee	$69,717	$85,044	$76,690	$77,354
Profit Per Total Equivalent Employee	($1,346)	$2,177	$6,296	$2,370
Total Selling Square Feet	5,677	6,064	4,634	5,464
Sales Per Total Selling Square Foot	$147	$262	$213	$207
Profit Per Total Selling Square Foot	(3.00)	$8.80	$19.11	$8.40
Inventory Turnover	3.1	4.0	3.8	3.6
Profit As A Percentage of Sales	(1.76)	2.63	7.34	2.60

Income Statements & Productivity Ratios

by Number of Stores

NUMBER OF STORES

In this year's Cost of Doing Business Survey, 144 (70%) of the 205 firms responding represent single store retailers. The other 61 (30%) members operate multiple stores. In fact, the multiple store operations account for the operation of 294 stores which means that 438 stores are represented in the total response. If a sporting goods retailer operates more than one store, the average number of stores operated is 4.82. Over the entire sample, the average number of stores operated per respondent is 2.1. This, of course, is higher than the previous average of 1.47 since only 10% of the responding memebers in that survey represented multi-store operations.

The location of store operations for both single and multi-store operations is presented in Table 4. Multi-store operations are more likely to be located in malls while single stores are most likely free standing operations.

TABLE 4

Store Location

	Single Store	Multi-store
Total Stores	144	294
Mall	8.3%	40.4%
Strip Center	22.9	18.0
Free Standing	41.0	29.3
Downtown Building	25.0	8.2
Other	2.8	4.1
	100.0%	100.0%

The summary income statements in Table 5 show that single store retailers reported higher profits (3.18% to 2.21%) than multi-store operators and also had much lower total operating expenses (28.67% to 34.00%). In fact, the major expense categories are lower across the board, when expressed as either a percentage of sales or a percentage of total operating expenses. However, the summary statements show that both single and multi-store operations dropped in profit performance from 1982.

TABLE 5

Summary Income Statements for Number of Stores

	One Store		Multi Store	
	1984	1982	1984	1982
Gross Profit	31.59	34.01	36.53	34.69
Total Operating Expenses	28.67	27.42	34.00	30.25
Net Operating Profit	2.92	6.59	2.53	4.44
Adjustments	+ .26	- .47	- .32	+ .30
Income Before Income Tax	3.18	6.12	2.21	4.74

ONE STORE

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		68.41	
Gross Profit		31.59%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	13.81%		48.17%
Payroll Taxes	.95		3.32
Licenses and Other Taxes	.92		3.21
Advertising and Promotion	2.33		8.12
Professional Services	.52		1.83
Rent	3.11		10.86
Repair and Maintenance	.37		1.29
Utilities	.81		2.81
Auto and Delivery	.50		1.73
Depreciation	1.25		4.37
Store and Office Supplies	.98		3.40
General Postage	.14		.49
Telephone and Telegraph	.53		1.86
Travel and Entertainment	.54		1.87
Dues and Subscriptions	.14		.49
Donations	.05		.17
Insurance	1.27		4.44
Collection Expense	.12		.40
Other Operating Expense	.33		1.17
Total Operating Expenses		28.67	100.00%
Net Operating Profit		2.92%	
Add Other Income	1.39%		
Less Other Expense	(1.13)	.26	
Income Before Income Taxes		3.18%	

MORE THAN ONE STORE

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		63.47	
Gross Profit		36.53%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	16.44%		48.34%
Payroll Taxes	.98		2.89
Licenses and Other Taxes	.74		2.18
Advertising and Promotion	3.48		10.24
Professional Services	.83		2.43
Rent	4.38		12.89
Repair and Maintenance	.56		1.64
Utilities	.92		2.70
Auto and Delivery	.41		1.20
Depreciation	1.31		3.86
Store and Office Supplies	1.12		3.28
General Postage	.14		.42
Telephone and Telegraph	.61		1.79
Travel and Entertainment	.52		1.54
Dues and Subscriptions	.12		.35
Donations	.03		.08
Insurance	.96		2.82
Collection Expense	.14		.43
Other Operating Expense	.31		.92
Total Operating Expenses		34.00	100.00%
Net Operating Profit		2.53%	
Add Other Income	1.13%		
Less Other Expense	(1.45)	(0.32)	
Income Before Income Taxes		2.21%	

PRODUCTIVITY RATIOS
BY NUMBER OF STORES

	One Store	Multi-store	Total
Total Equivalent Employees	7.3	27.9	13.7
Sales Per Total Equivalent Employee	$75,529	$81,417	$77,350
Profit Per Total Equivalent Employee	$2,380	$2,417	$2,391
Total Selling Square Feet	3,136	12,285	5,789
Sales Per Total Selling Square Foot	$211	$198	$207
Profit Per Total Selling Square Foot	$9.44	$5.67	$8.37
Inventory Turnover	3.4	4.2	3.6
Profit As A Percentage of Sales	3.18	2.21	2.60

Income Statements & Productivity Ratios

by

Selling Space

The results for sporting goods retailers based on selling space were considered only for single store operations which make store-to-store comparisons more meaningful. Half of the single store operations had selling space less than 3,000 feet and about half had selling space equal to or greater than 3,000 square feet. Table 6 shows summary income statements compared to the previous Cost of Doing Business Survey. It should be noted that in the previous survey, the division based on size was at 2,200 square feet which means the average single store retailer in this year's survey is about 800 square feet larger.

TABLE 6

Summary Income Statements for Selling Space

	Under 3,000 Feet		3,000 Feet or More	
	1984	1982	1984	1982
Gross Profit	33.30	31.62	30.82	34.84
Total Operating Expenses	29.41	26.45	28.34	27.61
Net Operating Profit	3.89	5.17	2.48	7.23
Adjustments	- .23	- .73	+ .47	- .37
Income Before Income Tax	3.66	4.44	2.95	6.86

The summary income statements show that for both small and large square footage sporting goods retailers, profits are down from the previous survey. Productivity ratios, presented in the next section, show that large stores produce higher sales per employee but small stores produce much higher profit on a selling square foot basis although sales per selling square foot do not significantly differ.

UNDER 3,000 SELLING SQUARE FEET

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		66.70	
Gross Profit		33.30%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	13.10%		44.54%
Payroll Taxes	.90		3.07
Licenses and Other Taxes	.93		3.15
Advertising and Promotion	2.25		7.66
Professional Services	.55		1.89
Rent	3.36		11.41
Repair and Maintenance	.43		1.47
Utilities	.82		2.80
Auto and Delivery	.61		2.06
Depreciation	1.41		4.81
Store and Office Supplies	1.21		4.11
General Postage	.22		.76
Telephone and Telegraph	.64		2.17
Travel and Entertainment	.72		2.44
Dues and Subscriptions	.15		.51
Donations	.07		.24
Insurance	1.19		4.06
Collection Expense	.20		.67
Other Operating Expense	.64		2.18
Total Operating Expenses		29.41	100.00%
Net Operating Profit		3.89%	
Add Other Income	.95%		
Less Other Expense	(1.18)	(0.23)	
Income Before Income Taxes		3.66%	

3,000 SELLING SQUARE FEET OR MORE

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		69.18	
Gross Profit		30.82%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	14.13%		49.86%
Payroll Taxes	.97		3.44
Licenses and Other Taxes	.92		3.24
Advertising and Promotion	2.36		8.34
Professional Services	.51		1.80
Rent	3.01		10.61
Repair and Maintenance	.34		1.20
Utilities	.80		2.81
Auto and Delivery	.45		1.58
Depreciation	1.18		4.17
Store and Office Supplies	.87		3.07
General Postage	.10		.36
Telephone and Telegraph	.49		1.72
Travel and Entertainment	.45		1.60
Dues and Subscriptions	.14		.48
Donations	.04		.14
Insurance	1.31		4.61
Collection Expense	.08		.28
Other Operating Expense	.20		.69
Total Operating Expenses		28.34	100.00%
Net Operating Profit		2.48%	
Add Other Income	1.58%		
Less Other Expense	(1.11)	.47	
Income Before Income Taxes		2.95%	

PRODUCTIVITY RATIOS
BY SELLING SQUARE FOOTAGE *

	Under 3000 Square Feet	Over 3000 Square Feet	Total
Total Equivalent Employees	5.0	9.9	7.3
Sales Per Total Equivalent Employee	$64,857	$87,861	$75,529
Profit Per Total Equivalent Employee	$2,568	$2,168	$2,380
Total Selling Square Feet	1,609	5,106	3,136
Sales Per Total Selling Square Foot	$219	$201	$211
Profit Per Total Selling Square Foot	$12.26	$5.83	$9.45
Inventory Turnover	3.3	3.5	3.4
Profit As A Percentage of Sales	3.66	2.95	3.18

* Only for Single Store Operations

Income Statements & Productivity Ratios

by Region of the Country

REGION

Summary income statements are shown in Table 7. Again, profits are lower across the board. This is largely due to increases in total operating expenses which were experienced in every region.

TABLE 7

Summary Income Statements for Region

	Western		North Central		Eastern		South Central	
	1984	1982	1984	1982	1984	1982	1984	1982
Gross Profit	36.63	36.57	32.04	34.38	30.49	32.59	36.28	33.16
Total Operating Expenses	34.12	29.82	29.41	28.70	27.65	25.01	33.41	29.49
Net Operating Profit	2.51	6.75	2.63	5.68	2.84	7.58	2.87	3.67
Adjustments	- .01	- .19	- .17	- .64	- .42	- .25	- .03	+ .56
Income Before Income Tax	2.50	6.56	2.46	5.04	2.42	7.33	2.84	4.23

THE WESTERN REGION

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		63.37	
Gross Profit		36.63%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	15.81%		46.33%
Payroll Taxes	.92		2.70
Licenses and Other Taxes	.68		1.99
Advertising and Promotion	3.84		11.22
Professional Services	1.12		3.28
Rent	4.52		13.23
Repair and Maintenance	.57		1.68
Utilities	.80		2.35
Auto and Delivery	.43		1.26
Depreciation	1.37		4.03
Store and Office Supplies	1.16		3.41
General Postage	.07		.21
Telephone and Telegraph	.56		1.65
Travel and Entertainment	.55		1.61
Dues and Subscriptions	.13		.40
Donations	.04		.11
Insurance	1.00		2.92
Collection Expense	.15		.44
Other Operating Expense	.40		1.18
Total Operating Expenses		34.12	100.00%
Net Operating Profit		2.51%	
Add Other Income	1.28%		
Less Other Expense	(1.29)	(0.01)	
Income Before Income Taxes		2.50%	

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		67.96	
Gross Profit		32.04%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	14.79%		50.30%
Payroll Taxes	.97		3.31
Licenses and Other Taxes	.87		2.97
Advertising and Promotion	2.21		7.52
Professional Services	.34		1.17
Rent	3.58		12.18
Repair and Maintenance	.40		1.37
Utilities	.95		3.21
Auto and Delivery	.44		1.48
Depreciation	1.13		3.86
Store and Office Supplies	1.00		3.41
General Postage	.22		.76
Telephone and Telegraph	.55		1.85
Travel and Entertainment	.46		1.56
Dues and Subscriptions	.12		.40
Donations	.03		.08
Insurance	1.07		3.63
Collection Expense	.08		.26
Other Operating Expense	.20		.68
Total Operating Expenses		29.41	100.00%
Net Operating Profit		2.63%	
Add Other Income	1.07%		
Less Other Expense	(1.24)	(0.17)	
Income Before Income Taxes		2.46%	

THE EASTERN REGION

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		69.51	
Gross Profit		30.49%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	13.72%		49.59%
Payroll Taxes	1.05		3.81
Licenses and Other Taxes	.51		1.85
Advertising and Promotion	2.33		8.43
Professional Services	.50		1.82
Rent	2.53		9.12
Repair and Maintenance	.37		1.35
Utilities	.88		3.18
Auto and Delivery	.45		1.62
Depreciation	1.30		4.70
Store and Office Supplies	.97		3.52
General Postage	.23		.83
Telephone and Telegraph	.51		1.83
Travel and Entertainment	.70		2.55
Dues and Subscriptions	.09		.34
Donations	.04		.16
Insurance	1.04		3.75
Collection Expense	.05		.18
Other Operating Expense	.38		1.37
Total Operating Expenses		27.65	100.00%
Net Operating Profit		2.84%	
Add Other Income	.86%		
Less Other Expense	(1.28)	(0.42)	
Income Before Income Taxes		2.42%	

THE SOUTH CENTRAL REGION

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		63.72	
Gross Profit		36.28%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	16.19%		48.46%
Payroll Taxes	1.02		3.05
Licenses and Other Taxes	.99		2.97
Advertising and Promotion	3.20		9.58
Professional Services	.66		1.97
Rent	3.84		11.47
Repair and Maintenance	.50		1.49
Utilities	.89		2.68
Auto and Delivery	.46		1.38
Depreciation	1.36		4.07
Store and Office Supplies	1.02		3.06
General Postage	.12		.35
Telephone and Telegraph	.68		2.03
Travel and Entertainment	.52		1.57
Dues and Subscriptions	.14		.43
Donations	.05		.14
Insurance	1.21		3.63
Collection Expense	.21		.63
Other Operating Expense	.35		1.04
Total Operating Expenses		33.41	100.00%
Net Operating Profit		2.87%	
Add Other Income	1.48%		
Less Other Expense	(1.51)	(0.03)	
Income Before Income Taxes		2.84%	

PRODUCTIVITY RATIOS
BY REGION

	Western	North Central	Eastern	South Central	Total
Total Equivalent Employees	15.6	14.1	8.9	12.8	13.7
Sales Per Total Equivalent Employee	$81,904	$76,178	$87,578	$70,491	$77,330
Profit Per Total Equivalent Employee	$2,032	$2,573	$3,091	$2,251	$2,370
Total Selling Square Feet	6,002	5,983	4,607	5,719	5,785
Sales Per Total Selling Square Foot	$198	$227	$258	$180	$207
Profit Per Total Selling Square Foot	$9.08	$7.23	$10.90	$7.87	$8.31
Inventory Turnover	3.7	3.6	4.8	3.2	3.6
Profit As A Percentage of Sales	2.50	2.46	2.42	2.84	2.60

Income Statements & Productivity Ratios

by Full Line vs. Specialty

TYPE OF STORE

Full line sporting goods retailers represented 58% of those responding and specialty retailers, 42% of the total responding. These results are very close to the 1982 survey (59% and 41%).

A summary income statement is provided in Table 8. Profit for both categories is lower than 1982 and is, again, attributable to increased total operating expenses. However, the present survey does show that specialty retailers report higher gross profit margins than full line stores which would be the expected result due to the greater likelihood of a higher markup on retail price for the specialty item.

TABLE 8

Summary Income Statements for Full Line - Specialty

	Full Line		Specialty	
	1984	1982	1984	1982
Gross Profit	33.65	33.78	36.65	35.82
Total Operating Expenses	31.43	28.45	32.79	29.84
Net Operating Profit	2.22	5.33	3.95	5.98
Adjustments	- .14	- .05	+ .04	- .18
Income Before Income Tax	2.08	5.28	3.91	5.80

Productivity ratios, presented in this section, do not show any major differences between full line and specialty sporting goods retailers except on performance per square foot. Specialty retailers are about three dollars higher on profit per foot and over forty dollars higher on sales per square foot. Employee performance measures do not differ greatly.

FULL LINE
SPORTING GOODS STORES

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		66.35	
Gross Profit		33.65%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	15.53%		49.38%
Payroll Taxes	1.03		3.28
Licenses and Other Taxes	.87		2.76
Advertising and Promotion	2.67		8.50
Professional Services	.55		1.76
Rent	3.69		11.74
Repair and Maintenance	.49		1.57
Utilities	.92		2.92
Auto and Delivery	.47		1.51
Depreciation	1.24		3.95
Store and Office Supplies	1.04		3.31
General Postage	.17		.55
Telephone and Telegraph	.57		1.82
Travel and Entertainment	.47		1.49
Dues and Subscriptions	.13		.40
Donations	.03		.10
Insurance	1.17		3.71
Collection Expense	.12		.38
Other Operating Expense	.27		.87
Total Operating Expenses		31.43	100.00%
Net Operating Profit		2.22%	
Add Other Income	1.20%		
Less Other Expense	(1.34)	(0.14)	
Income Before Income Taxes		2.08%	

SPECIALTY
SPORTING GOODS STORES

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		63.35	
Gross Profit		36.65%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	15.31%		46.82%
Payroll Taxes	.89		2.71
Licenses and Other Taxes	.72		2.21
Advertising and Promotion	3.57		10.92
Professional Services	.93		2.84
Rent	4.18		12.80
Repair and Maintenance	.48		1.46
Utilities	.81		2.49
Auto and Delivery	.40		1.21
Depreciation	1.35		4.12
Store and Office Supplies	1.09		3.34
General Postage	.10		.30
Telephone and Telegraph	.60		1.83
Travel and Entertainment	.61		1.86
Dues and Subscriptions	.13		.41
Donations	.04		.12
Insurance	.95		2.91
Collection Expense	.15		.46
Other Operating Expense	.39		1.19
Total Operating Expenses		32.70	100.00%
Net Operating Profit		3.95%	
Add Other Income	1.28%		
Less Other Expense	(1.32)	(0.04)	
Income Before Income Taxes		3.91%	

PRODUCTIVITY RATIOS
BY TYPE OF STORE

	Full Line	Specialty	Total
Total Equivalent Employees	13.6	14.0	13.7
Sales Per Total Equivalent Employee	$79,331	$74,559	$77,429
Profit Per Total Equivalent Employee	$2,369	$2,374	$2,371
Total Selling Square Feet	6,286	5,075	5,808
Sales Per Total Selling Square Foot	$189	$235	$208
Profit Per Total Selling Square Foot	$7.02	$10.35	$8.33
Inventory Turnover	3.6	3.7	3.6
Profit As A Percentage of Sales	2.08	3.91	2.67

Income Statements & Productivity Ratios

by Amount of Team Business

AMOUNT OF TEAM BUSINESS - FULL LINE STORES ONLY

In the division of sporting goods retailers by the amount of sales accounted for by team business, 40% report less than 10% team business, around 20% report team sales between 10% and 24%, and the remaining 40% of the full line sporting goods retailers report team sales of 25% or more.

TABLE 9

	Less Than 25% Team		At Least 25% Team	
	1984	1982	1984	1982
Gross Profit	35.44	34.81	31.35	32.68
Total Operating Expenses	33.36	27.80	28.97	29.15
Net Operating Profit	2.08	7.01	2.38	3.53
Adjustments	- .50	- .34	+ .34	+ .28
Income Before Income Tax	1.58	6.67	2.72	3.81

Although the summary income statements do not reveal any major differences between team and non-team retailers, the productivity ratios are more informative. Sales and profit per employee as well as sales and profit per selling square foot, are all higher for team businesses. Also, inventory turnover is quite a bit higher for team businesses as well.

LESS THAN 25%
TEAM BUSINESS

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		64.56	
Gross Profit		35.44%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	15.26%		45.72%
Payroll Taxes	1.27		3.81
Licenses and Other Taxes	.52		1.56
Advertising and Promotion	3.57		10.70
Professional Services	.61		1.83
Rent	4.78		14.34
Repair and Maintenance	.55		1.63
Utilities	.99		2.97
Auto and Delivery	.40		1.20
Depreciation	1.27		3.81
Store and Office Supplies	1.26		3.78
General Postage	.09		.28
Telephone and Telegraph	.55		1.65
Travel and Entertainment	.41		1.24
Dues and Subscriptions	.12		.35
Donations	.04		.12
Insurance	1.20		3.60
Collection Expense	.12		.36
Other Operating Expense	.35		1.05
Total Operating Expenses		33.36	100.00%
Net Operating Profit		2.08%	
Add Other Income	1.04%		
Less Other Expense	(1.54)	(0.50)	
Income Before Income Taxes		1.58%	

AT LEAST 25%
TEAM BUSINESS

		Percent of Net Sales	Percent of Total Operating Expenses
Net Sales		100.00%	
Less Cost of Goods Sold		68.65	
Gross Profit		31.35%	
OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	15.86%		54.79%
Payroll Taxes	.73		2.51
Licenses and Other Taxes	1.31		4.53
Advertising and Promotion	1.52		5.25
Professional Services	.48		1.66
Rent	2.28		7.88
Repair and Maintenance	.42		1.46
Utilities	.83		2.85
Auto and Delivery	.57		1.95
Depreciation	1.21		4.17
Store and Office Supplies	.76		2.61
General Postage	.28		.96
Telephone and Telegraph	.60		2.07
Travel and Entertainment	.54		1.86
Dues and Subscriptions	.14		.47
Donations	.02		.08
Insurance	1.12		3.86
Collection Expense	.12		.42
Other Operating Expense	.18		.62
Total Operating Expenses		28.97	100.00%
Net Operating Profit		2.38%	
Add Other Income	1.41%		
Less Other Expense	(1.07)	.34	
Income Before Income Taxes		2.72%	

PRODUCTIVITY RATIOS FOR
TEAM AND NON TEAM STORES *

	Team	Non Team	Total
Total Equivalent Employees	11.9	15.0	13.6
Sales Per Total Equivalent Employee	$92,274	$68,059	$79,331
Profit Per Total Equivalent Employee	$3,311	$1,548	$2,639
Total Selling Square Feet	4,980	7,375	6,286
Sales Per Total Selling Square Foot	$243	$145	$190
Profit Per Total Selling Square Foot	$11.19	$3.55	$7.02
Inventory Turnover	4.4	2.9	3.6
Profit As A Percentage of Sales	2.72	1.58	2.08

* Only full line stores are included

NSGA TRADE SHOWS SCHEDULE

1986	**58th NSGA** **National Convention & Show** **Outdoor Sports Headquarters Inc. Expo '86** January 31 – February 2, 1986 (Fri. – Sun.) Infomart-Market Hall Dallas, Texas	**39th NSGA Fall Market** October 24 – 26, 1986 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**59th NSGA** **International Convention & Show** **2nd International Dance-Exercise Association Show** October 9 – 11, 1986 (Thurs. – Sat.) McCormick Place Chicago, Illinois
1987	**60th NSGA** **National Convention & Show** February 19 – 21, 1987 (Thurs. – Sat.) Dallas Convention Center Dallas, Texas	**40th NSGA Fall Market** September 18 – 20, 1987 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**61st NSGA** **International Convention & Show** October 9 – 11, 1987 (Fri. – Sun.) McCormick Place Chicago, Illinois
1988	**62nd NSGA** **National Convention & Show** February 5 – 7, 1988 (Fri. – Sun.) George R. Brown Convention Center Houston, Texas	**41st NSGA Fall Market** September 16 – 18, 1988 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**63rd NSGA** **International Convention & Show** October 21 – 23, 1988 (Fri. – Sun.) McCormick Place Chicago, Illinois (Tentative Dates)
1989	**64th NSGA** **National Convention & Show** February 3 – 5, 1989 (Fri. – Sun.) Dallas Convention Center Dallas, Texas	**42nd NSGA Fall Market** October 20 – 22, 1989 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**65th NSGA** **International Convention & Show** September 15 – 17, 1989 (Fri. – Sun.) McCormick Place Chicago, Illinois
1990	**66th NSGA** **National Convention & Show** February 2 – 4, 1990 (Fri. – Sun.) George R. Brown Convention Center Houston, Texas	**43rd NSGA Fall Market** September 14 – 16, 1990 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**World Sports & Marine Expo** **67th NSGA International Convention & Show** **32nd International Marine Trades Exhibit & Convention** September 27 – 30, 1990 (Thurs. – Sun.) McCormick Place Chicago, Illinois
1991	**68th NSGA** **National Convention & Show** February 1 – 3, 1991 (Fri. – Sun.) Astrohall Houston, Texas	**44th NSGA Fall Market** September 20 – 22, 1991 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**69th NSGA** **International Convention & Show** October 4 – 7, 1991 (Fri. – Mon.) McCormick Place Chicago, Illinois (Tentative)
1992	**70th NSGA** **National Convention & Show** (To Be Announced)	**45th NSGA Fall Market** September 11 – 13, 1992 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**World Sports & Marine Expo** **71st NSGA International Convention & Show** **34th International Marine Trades Exhibit & Convention** October 1 – 4, 1992 (Thurs. – Sun.) McCormick Place Chicago, Illinois
1993	**72nd NSGA** **National Convention & Show** (To Be Announced)	**46th NSGA Fall Market** (Dates To Be Announced) Anaheim Convention Center Anaheim, California	**World Sports & Marine Expo** **73rd NSGA International Convention & Show** **35th International Marine Trades Exhibit & Convention** September 9 – 12, 1993 (Thurs. – Sun.) McCormick Place Chicago, Illinois
1994	**74th NSGA** **National Convention & Show** (To Be Announced)	**47th NSGA Fall Market** September 9 – 11, 1994 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**World Sports & Marine Expo** **75th NSGA International Convention & Show** **36th International Marine Trades Exhibit & Convention** Sept. 29 – Oct. 2, 1994 (Thurs. – Sun.) McCormick Place Chicago, Illinois
1995	**76th NSGA** **National Convention & Show** (To Be Announced)	**48th NSGA Fall Market** September 8 – 10, 1995 (Fri. – Sun.) Anaheim Convention Center Anaheim, California	**World Sports & Marine Expo** **77th NSGA International Convention & Show** **37th International Marine Trades Exhibit & Convention** Sept. 28 – Oct. 1, 1995 (Thurs. – Sun.) McCormick Place Chicago, Illinois

As of October 1985